

E-111/M-88-465REJECTING PROPOSAL TO OFFER ECONOMIC DEVELOPMENT RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of a Proposal by Dakota Electric
Association to Offer an Economic
Development Rate to Large Power Customers

ISSUE DATE: December 23, 1988

DOCKET NO. E-111/M-88-465

ORDER REJECTING PROPOSAL TO
OFFER ECONOMIC DEVELOPMENT
RATES

PROCEDURAL HISTORY

On July 7, 1988 Dakota Electric Association (the Association) filed a proposal to offer economic development rates in conjunction with its supplier, Cooperative Power Association. Under the proposal, new customers whose monthly requirements equalled or exceeded 100 kW would receive discounted rates. Existing customers who increased their monthly requirements by at least 100 kW would receive discounted rates for the additional load.

The Department of Public Service (the Department) examined the proposal and recommended its rejection on grounds that economic development rates violate the anti-discrimination provisions of Minn. Stat. § 216B.03 (1986). The Department also opposed the proposal on practical grounds, saying that economic development rates can provide unnecessary rate discounts and are not the most efficient means of encouraging desirable load growth.

The Residential Utilities Division of the Office of the Attorney General (RUD-OAG) agreed with the Department that economic development rates violate Minn. Stat. § 216B.03 (1986). The RUD-OAG also opposed such rates on grounds that they might give new businesses an unfair advantage over their competitors.

Northern States Power Company filed comments stating it preferred flexible rates to economic development rates and offered detailed comments on how flexible rates should be structured.

The cities of Cannon Falls and Farmington filed comments supporting the Association's proposal. Both cities believed economic development rates would help attract new businesses to their areas.

FINDINGS AND CONCLUSIONS

With some reluctance, the Commission concludes that the Association's economic development rates proposal violates the anti-discrimination provisions of Minn. Stat. § 216B.03 (1986). That statute provides in pertinent part as follows:

Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable. Rates shall not be unreasonably preferential, unreasonably prejudicial or discriminatory, but shall be sufficient, equitable and consistent in application to a class of consumers. . . .

Minn. Stat. 216B.03 (1986).

The Commission finds that offering different rates to similarly situated customers, based solely on when they first became customers, would be unreasonably preferential, prejudicial, and discriminatory. It would result in inequitable and inconsistent application of the rate structure within the large power class. The Association's proposal will therefore be rejected.

The Commission would emphasize, however, that economic development rates are not the only tool available to utilities seeking managed load growth, especially in cases where excess capacity is present. In the past the Commission has approved rates tailored to the needs of individual large power customers, as long as such rates were available to all similarly situated customers. Two examples are the bulk interruptible rate approved for Otter Tail Power Company in docket number E-017/M-83-118 and the Excess Demand Discount approved for Minnesota Power in docket number E-015/GR-87-223.

The Commission would urge the Association to meet with the Department and other interested parties to develop a rate proposal to encourage economic development and make use of available capacity without running afoul of the anti-discrimination provisions of the law.

ORDER

1. The economic development rate proposal filed by Dakota Electric Association on July 7, 1988 is denied.
2. The Commission urges the Association to meet with the Department and other interested parties to explore workable alternatives to the rejected rate proposal.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)